

Message Text

CONFIDENTIAL

PAGE 01 STATE 133682

ORIGIN EUR-12

INFO OCT-01 ISO-00 INR-07 EA-07 SIG-01 SSO-00 AID-05
CEA-01 CIAE-00 COME-00 EB-07 FRB-03 NSAE-00
EPG-02 SP-02 STR-04 TRSE-00 LAB-04 SIL-01 OMB-01
SS-15 NSC-05 NSCE-00 PA-01 PRS-01 USIE-00 INRE-00
/080 R

DRAFTED BY EUR/RPE: ROHOMME:AE

APPROVED BY EUR: RDVINE

INR/REA: EAWAYNE

EA/PRC: GFOX

INR/RNA/SOA: GGBGRIFFIN

-----092135Z 007638 /66

O R 092053Z JUN 77

FM SECSTATE WASHDC

TO AMEMBASSY LONDON IMMEDIATE

INFO AMEMBASSY BRUSSELS

AMEMBASSY BONN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION NATO

C O N F I D E N T I A L STATE 133682

USEEC

E.O. 11652: GDS

TAGS: EEC, PFOR

SUBJECT:US/EC PRESIDENCY DIALOGUE - JUNE 14-15 POLITICAL

DIRECTORS MEETING

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 133682

REF: LONDON 9151

1. WITH REGARD TO POLITICAL DIRECTORS' REVIEW OF ASIAN
ISSUES (PARA 5, REFTTEL), EMBASSY MAY PASS FOLLOWING ANALYSIS
OF SITUATION IN INDIA AND PRC INTERNAL SITUATION TO BRITISH
EC PRESIDENCY. SEE SEPTTEL FOR MATERIAL ON OTHER ISSUES.

2. SITUATION IN INDIA. PRIME MINISTER MORARJI DESAI'S NEW JANATA PARTY GOVERNMENT IS PREOCCUPIED WITH ESTABLISHING ITS POLITICAL POSITION IN THE COUNTRY. THE REGIME DISSOLVED STATE GOVERNMENTS WHERE THE JANATA FRONT SCORED VICTORIES IN THE MARCH GENERAL ELECTIONS TO PAVE THE WAY FOR ITS CANDIDATE TO WIN THE PRESIDENTIAL ELECTION IN AUGUST. (THE STATE LEGISLATORS AND MEMBERS OF THE CENTRAL PARLIAMENT ELECT INDIA'S PRESIDENT; MOST STATES HAD BEEN CONTROLLED BY THE CONGRESS PARTY.) ABOUT HALF OF THE STATES GO TO THE POLLS BETWEEN JUNE 10 AND 14. THE NOMINATING PROCESS INTRODUCED SEVERE STRAINS AMONG THE VARIOUS GROUPS WHICH MERGED TO FORM THE JANATA PARTY.

THE GOVERNMENT HAS REVOKED MUCH OF THE REPRESSIVE LEGISLATION IMPOSED DURING THE EMERGENCY. BOTH THE INTERNAL AND EXTERNAL EMERGENCY PROCLAMATIONS WERE REVOKED; CENSORSHIP WAS LIFTED AND MOST POLITICAL PRISONERS WERE RELEASED.

NEW DELHI HAS INDICATED THAT IT WILL CONTINUE ESSENTIALLY THE SAME FOREIGN POLICY AS BEFORE, INCLUDING THE PROCESS OF RAPPROCHEMENT WITH THE PRC, IRAN AND THE US, TO STRENGTHEN ITS DIPLOMATIC MANEUVERABILITY. AT THE SAME TIME, RELATIONS WITH MOSCOW REMAIN GOOD. IN LATE APRIL, SOVIET FOREIGN MINISTER GROMYKO VISITED INDIA AND WAS ASSURED THAT THERE WOULD BE NO MAJOR CHANGES IN INDO-SOVIET RELATIONS. THAT RELATIONSHIP REMAINS IMPORTANT TO INDIA, AS MOSCOW IS THE MAJOR SUPPLIER OF SOPHISTICATED MILITARY HARDWARE, CONSTITUTES AN IMPORTANT MARKET FOR INDUSTRIAL PRODUCTS AND

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 133682

IS A STRATEGIC ASSET IF RELATIONS WITH PAKISTAN AND THE PRC DETERIORATE. BUT THE NEW INDIAN LEADERSHIP TENDS TO BE PRO-WESTERN AND IS LESS LIKELY THAN ITS PREDECESSOR TO LINE UP BEHIND MOSCOW ON INTERNATIONAL ISSUES. AS NATIONALISTS, THE LEADERSHIP IS ALSO LIKELY TO INCREASE INDIAN INVOLVEMENT IN EAST AFRICA AND SOUTH EAST ASIA AS A WAY OF REDUCING THE INFLUENCE OF THE GREAT POWERS IN THE INDIAN OCEAN.

ON ECONOMIC POLICY, THE DESAI GOVERNMENT HAS REMOVED SOME IMPORT RESTRICTIONS AND HAS INDICATED A GREATER WILLINGNESS TO RELY ON MARKET FORCES. NEW DELHI ALSO PLEDGED GREATER EMPHASIS ON AGRICULTURAL DEVELOPMENT AND SMALL-SCALE, LABOR-INTENSIVE INDUSTRY. MEANWHILE, THE ECONOMIC WELL-BEING OF THE COUNTRY WILL REMAIN CLOSELY TIED TO THE MONSOON, WHICH BEGAN ON TIME IN JUNE. WITH SOME 19 MILLION METRIC TONS OF FOOD GRAINS IN STORAGE, INDIA IS CURRENTLY IN A GOOD POSITION TO HANDLE ONE OR TWO LEAN YEARS.

3. PRC DOMESTIC SITUATION. EIGHT MONTHS AFTER HUA KUO-FENG'S APPOINTMENT AS PARTY CHAIRMAN, SIGNALS FROM PEKING ARE AS AMBIGUOUS AS EVER. BROAD OUTLINES OF LEADERSHIP AGREEMENT AND DISAGREEMENT ARE EVIDENT, BUT THE PICTURE OF TOP-LEVEL ALIGNMENTS AND POWER RELATIONS REMAINS UNCLEAR. LAST OCTOBER'S PURGE OF THE 'GANG OF FOUR', HOWEVER, REMOVED THE MAJOR OPPOSITION GROUP IN THE LEADERSHIP TO PRAGMATIC ECONOMIC DEVELOPMENT, AND, COMBINED WITH MAO'S DEATH, SIGNIFICANTLY SHIFTED THE PARAMETERS OF POLITICAL MANEUVERING AT THE TOP.

UNITY ON POLICY. THE HUA REGIME GENERALLY AGREES ON HOW TO PURSUE DOMESTIC AND FOREIGN POLICY GOALS. THE DEVELOPMENTAL GOALS OUTLINED BY CHOU EN-LAI AT THE 1975 NATIONAL PEOPLE'S CONGRESS AND THE POLICIES TENG HSIAO-P'ING PROMOTED THROUGHOUT THAT YEAR HAVE TRIUMPHED OVER THE MORE "REVOLUTIONARY" OBJECTIVES ESPOUSED BY THE "LEFT". DESPITE
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 STATE 133682

POSSIBLE DISAGREEMENT ON BUDGETARY ALLOCATIONS, THE REGIME SEEMS UNITED BEHIND ECONOMIC POLICIES TO RAPIDLY BOOST SHORT-TERM PRODUCTION AND STRENGTHEN THE ECONOMIC INFRASTRUCTURE. PEKING NOW EMPHASIZES:

--RESTORING DISCIPLINE IN SOCIETY, THE PARTY, AND THE WORKPLACE, AND REINSTITUTING A SENSE OF INDIVIDUAL ACCOUNTABILITY AND DEDICATION TO CHINA'S LONG-TERM GOALS;

--RECTIFYING AND REORGANIZING PARTY AND STATE STRUCTURES;

--TIGHTENING MANAGERIAL, ACCOUNTING AND PLANNING PROCEDURES;

--REORIENTING AND REBUILDING THE EDUCATION AND SCIENTIFIC/TECHNICAL RESEARCH PROGRAM;

--RENEWING EARLIER EFFORTS TO STREAMLINE THE PLA AND UPGRADE ITS WEAPONRY.

SINCE OCTOBER, SEVERAL IMPORTANT MINISTERIAL AND PROVINCIAL LEVEL APPOINTMENTS HAVE BEEN MADE. THE REGIME HAS ALSO CONVENED MAJOR PARTY, STATE, AND MILITARY MEETINGS WHICH HAVE GIVEN GENERAL APPROVAL TO THESE POLICIES, ACCOMPANIED BY A SERIES OF LOWER-LEVEL CONFERENCES TO DISCUSS SPECIFIC PROBLEMS IN VARIOUS SECTORS.

PEKING IS SAYING THAT ITS POLICY ORIENTATION IS PAYING OFF IN AN ECONOMIC UPSWING. COAL AND OIL PRODUCTION--WHICH SLUMPED LAST YEAR--REPORTEDLY OVERFULFILLED FIRST QUARTER STATE PLANS. THE CHRONICALLY-TRoubLED RAIL SYSTEM REPORTEDLY SET AN ALL-TIME HIGH FOR PRODUCTION IN APRIL. PRODUCTION

IN VIRTUALLY ALL OTHER SECTORS WAS DESCRIBED AS "INCREASING"

DISUNITY ON TOP PERSONNEL. POLITICALLY, THE REGIME REMAINS
DIVIDED OVER WHO SHOULD LEAD AND HOW POWER SHOULD BE SHARED.
CONTENTION HAS CENTERED AROUND FORMER VICE PREMIER TENG
CONFIDENTIAL

CONFIDENTIAL

PAGE 05 STATE 133682

HSIAO-P'ING'S FUTURE ROLE. SINCE LATE 1976, SOME MEMBERS
OF THE REGIME HAVE ADVOCATED HIS RETURN IN A POWER-SHARING

RELATIONSHIP WITH CHAIRMAN HUA, IN WHICH TENG WOULD ASSUME
THE POST OF PREMIER. COMPROMISE VERSIONS OF THIS APPEAR
TO OFFER TENG ONLY HIS FORMER POSTS -- FIRST VICE PREMIER,
PARTY VICE-CHAIRMAN, AND VICE CHAIRMAN OF THE MILITARY
AFFAIRS COMMISSION. EVEN THEN, TENG WOULD RETURN IN A
POWERFUL POSITION. -

EVIDENCE SUGGESTS THAT AT LEAST A PARTIAL AGREEMENT WAS
WORKED OUT BY APRIL, AND TENG'S REHABILITATION IS
APPARENTLY SLATED FOR THE LATTER PART OF 1977. A FINAL
DECISION ON TENG'S NEW POSTS, HOWEVER, MAY NOT HAVE BEEN
MADE, LEAVING OPEN THE POSSIBILITY OF FURTHER TOP-LEVEL
DISAGREEMENT ON THIS POINT.

OTHER PROBLEMS IN PEKING: VACANCIES AND BUDGET SQUABBLES.
DEBATE SURROUNDING TENG NO DOUBT RELATES TO OTHER KEY
ISSUES AT THE TOP. FIRST, DECISIONS ON RESTAFFING THE
POLITBURO AND STATE COUNCIL -- BOTH DECIMATED SINCE 1975 --
APPEAR TO HAVE BEEN STALLED BY DEBATE OVER TENG'S POSITIONS.
INCREASED MANEUVERING AMONG CONTENDERS FOR TOP SLOTS MAY
POSE PROBLEMS AS PEKING PREPARES FOR PARTY AND STATE
CONGRESSES LATER IN 1977. DECISIONS ON BUDGETARY ALLOCA-
TIONS AMONG THE VARIOUS SECTORS ALSO FIGURE IN THE PEKING
POLITICAL SCENE, BUT CONTENTION BETWEEN CIVILIAN AND
MILITARY INTERESTS AND BETWEEN VARIOUS MINISTRIES IS ALWAYS
TO BE EXPECTED. -

THERE IS EVIDENCE THAT DEFENSE SPENDING HAS BEEN AN AREA
OF SOME TOP-LEVEL DISAGREEMENT SINCE LATE 1976. HUA AND
OTHERS HAVE SUPPORTED A PROGRAM OF RESTORING THE ECONOMY
BEFORE ENGAGING IN A VIGOROUS PROGRAM OF MILITARY MODERNI-
ZATION. HOWEVER, ELEMENTS OF CHINA'S MILITARY-INDUSTRIAL
COMPLEX HAVE OPPOSED ANY CUTS WARNING THAT CHINA CANNOT
CONFIDENTIAL

CONFIDENTIAL

PAGE 06 STATE 133682

AFFORD TO FALL FURTHER BEHIND THE TWO "SUPERPOWERS" IN

WEAPONS DEVELOPMENT. DEBATE ON THIS ISSUE APPEARS TO BE
CONTINUING AT PRESENT. -

PROVINCIAL PROBLEMS: LEGITIMACY. AT THE PROVINCIAL LEVEL,
GENERAL ORDER HAS BEEN RESTORED SINCE LAST FALL; HOWEVER,
SERIOUS PROBLEMS CONTINUE. TEN YEARS OF TURMOIL HAVE
CREATED A GREAT DEAL OF CYNICISM APATHY, AND REBELLIOUSNESS
WHICH SEEM TO CONTRIBUTE TO A GENERALLY LOW LEVEL OF
LEGITIMACY FOR THE HUA REGIME. ON THE ONE HAND, PROGRESS
IN REMOVING LOCAL LEFTIST FOLLOWERS OF THE "GANG OF FOUR"
IS UNEVEN WITH CONTINUING PROBLEMS REPORTED IN ABOUT ONE
THIRD OF CHINA'S PROVINCES. OTHER REPORTS INDICATE THAT
CHAIRMAN MAO AND HUA HAVE BEEN OPENLY CRITICIZED IN RECENT
MONTHS IN SEVERAL PROVINCES, BOTH FROM THE "RIGHT" AND
"LEFT".

THE REGIME HAS RESPONDED WITH A MEDIA BLITZ TO HIGHLIGHT
ITS ACCOMPLISHMENTS. NUMEROUS OTHER ARTICLES, INCLUDING
RINGING ENDORSEMENTS BY PARTY ELDER YEH CHIEN-YING, HAVE
RENEWED CHAIRMAN HUA'S MINI-PERSONALITY CULT AND URGED
RESOLUTE "STRUGGLE" AGAINST ANY ATTACKS ON HUA OR MAO.
NEEDLESS TO SAY, IF LEADERSHIP INFIGHTING INTENSIFIES
AGAIN, ANY PROGRESS TOWARD RESTORING REGIME LEGITIMACY
WILL BE NEGATED. VANCE

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEETINGS, RELATIONS WITH REGIONAL ORGS
Control Number: n/a
Copy: SINGLE
Sent Date: 09-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE133682
Document Source: CORE
Document Unique ID: 00
Drafter: ROHOMME:AE
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770206-0632
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770672/aaaacnlg.tel
Line Count: 248
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 6b18ee7f-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 LONDON 9151
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 12-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2210463
Secure: OPEN
Status: NATIVE
Subject: US/EC PRESIDENCY DIALOGUE - JUNE 14-15 POLITICAL DIRECTORS MEETING CONFIDENTIAL
TAGS: PFOR, AORG, US, EEC
To: LONDON
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/6b18ee7f-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009